



# Independent Electrical Contractors of New England, Inc.

TO: The Honorable Tom Colapietro and Rep. Jim Shapiro  
Members of the General Law Committee

From: Lisa Hutner, Executive Director

Date: February 16, 2010

Re: **SB-131, An Act Concerning Retainage**

The Independent Electrical Contractors of New England (IEC-NE) *supports SB-131*, which lowers the retainage amount in construction contracts from 7.5 % to 5% to free up much needed capital to help contractors expand their businesses and create jobs.

Retainage hits subcontractors especially hard, particularly during difficult economic times when cash flow is stretched to the limit. In many cases, subcontractors and contractors must wait for unreasonable periods of time for retainage amounts to be released. Anything that can be done to eliminate or reduce retainage and to assure the prompt release of funds benefits everyone in the construction chain. In the construction industry, where the typical profit margin is between 2% and 5%, retention of up to 7.5% can put a contractor deep in the hole for the duration of the project.

Retainage is particularly difficult for electrical contractors because electricians are often the first on a job and the last to leave so their money can be tied up for the duration of the construction project, which is killing our members' bottom lines. Lowering retainage will free up more of our money so that we are in a position to bid on new jobs and bring in more manpower to get jobs done.

Recognizing that freeing up cash flow and reducing construction costs is critical to economic recovery, more states and local governments, as well as private owners, are reducing their retainage rates to lower costs. This gives contractors the breathing room needed to bid on more jobs, purchase new equipment and hire additional employees.

Opponents of lowering retainage claim that retainage is needed as a hammer to ensure that work is completed to the satisfaction of the owners. But owners have contractual rights well beyond retainage to address faulty or defective work. During construction, owners have rights to withhold more than retainage until defective work is corrected. After project completion, if faulty work is discovered, warranties provided by contractors make the contractors liable for correction or completion. Holding retainage as protection from these problems is therefore unnecessary. In reality, retainage is being used as a tool to finance construction, which is inappropriate.

We therefore urge lawmakers to support SB-131, which will help stimulate Connecticut's economy by lowering and unnecessary retainage provisions.

*The Independent Electrical Contractors of New England is the premier trade association representing Connecticut, Massachusetts and Rhode Island independent electrical contractors aggressively working with the industry to establish a free environment for merit shop -- a philosophy that promotes the concept of free enterprise, open competition and economic opportunity for all.*

1800 Silas Deane Highway, Rear Building, Rocky Hill, CT 06067  
(860) 563-4953 Fax (860) 563-5453 Toll Free (866) GO IEC NE  
email: [lisa@iecne.org](mailto:lisa@iecne.org) [www.iecne.org](http://www.iecne.org)